

# Indiana: Debt Overview



Kendra W. York – Public Finance Director of the State of Indiana  
James P. McGoff – General Counsel & Director of Environmental Programs

For the State Budget Committee  
December 4, 2012



# Overview

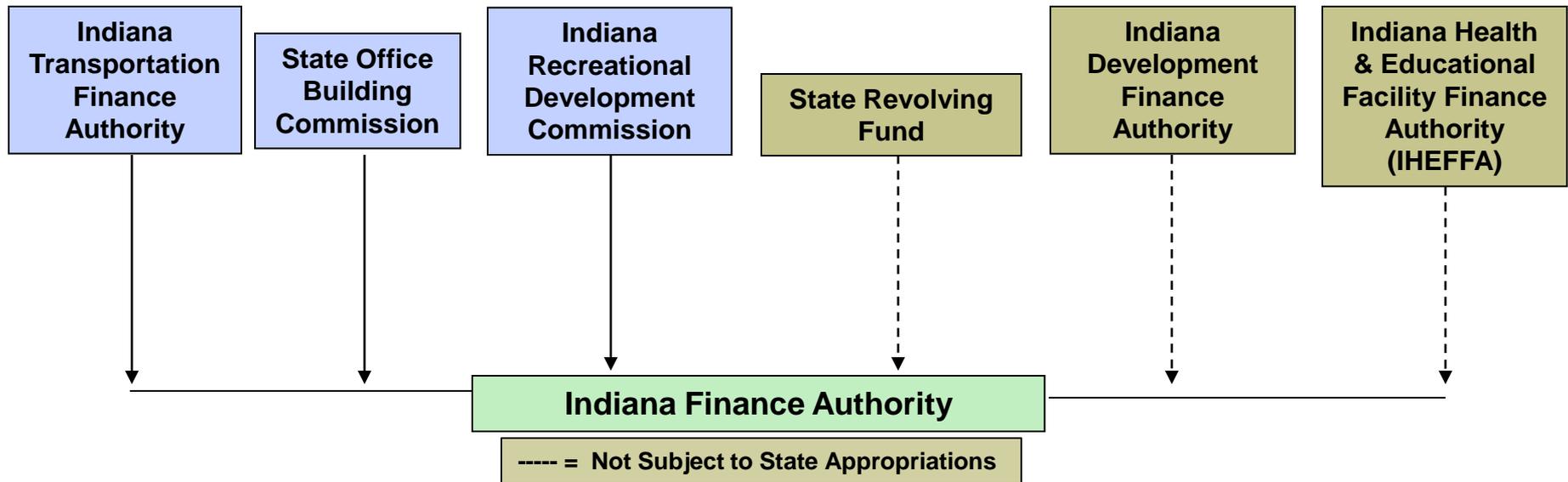
---

- I. Debt Management Overview
  - A. Indiana Finance Authority
  - B. Public Finance Director
  - C. U.S. State Credit Ratings
  - D. State of Indiana Credit Rating History
  
- II. Appropriation-Backed Debt
  - A. Debt Outstanding
  - B. Oversight
  - C. Debt Outstanding – Detailed Slides for Each Issuing Entity
  
- III. Non-Appropriation-Backed Debt
  - A. Debt Outstanding
  - B. Oversight



## A. Indiana Finance Authority

- ❑ In 2005, the Indiana General Assembly created the Indiana Finance Authority (“IFA”) to oversee State-related debt. The enabling legislation consolidated five previously separate entities into the new IFA as shown. In 2007, legislation also merged the IHEFFA into the IFA.



- ❑ The IFA issues debt on behalf of these six predecessor agencies and has managed their debt portfolios since 2005.
- ❑ The IFA also issues debt for the Stadium and Convention Center and Indiana State Fair projects.



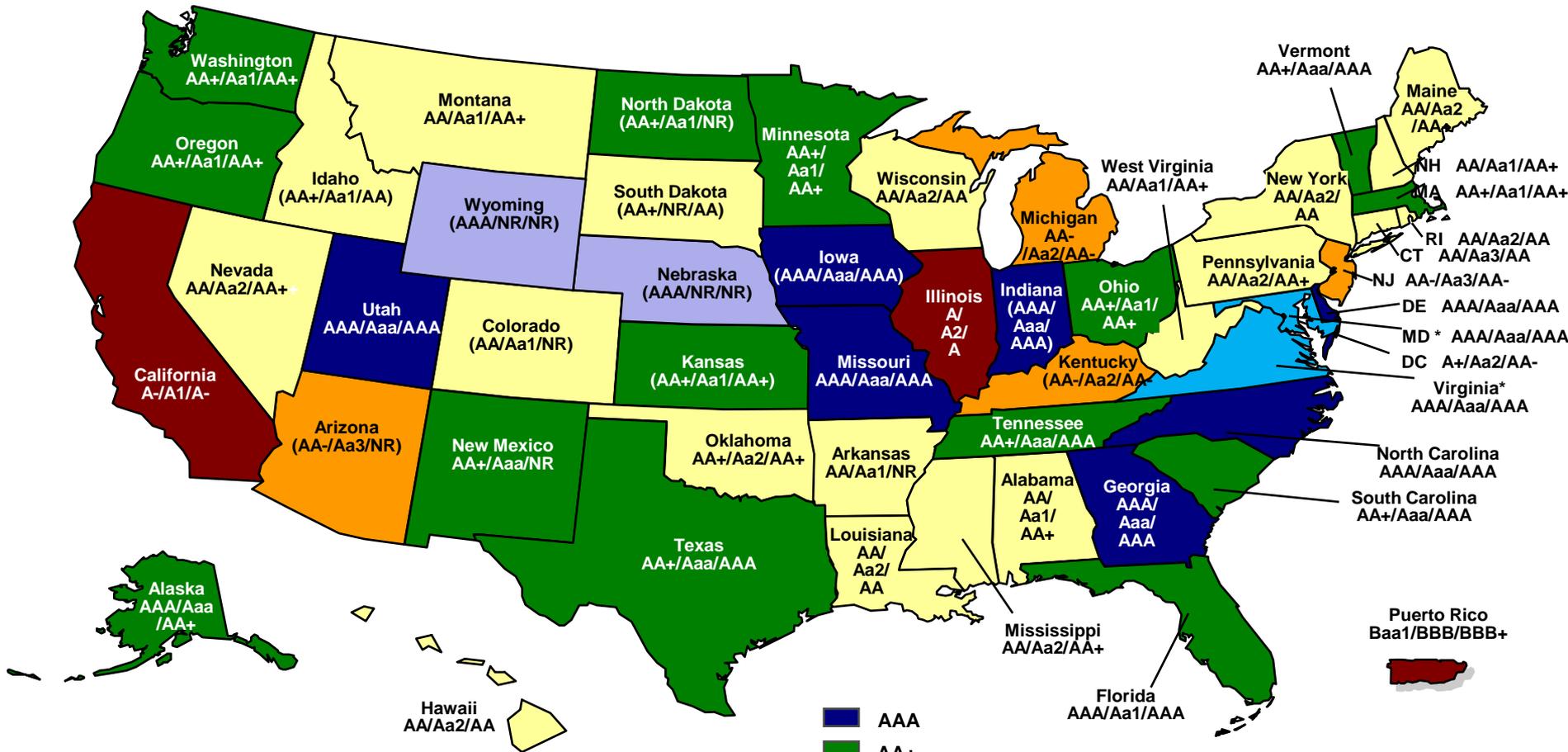
## B. Public Finance Director

---

- ❑ The Public Finance Director has oversight responsibility for all state debt issuance and is the chief executive of the Indiana Finance Authority (IFA).
  
- ❑ Pursuant to an Executive Order, the Public Finance Director has the following additional responsibilities:
  - Board member of the Indiana Bond Bank and the Indiana Housing and Community Development Authority.
  - Involved in the approval process for public university debt.
  - Involved in all debt issuances for the State Fair Commission, Ports of Indiana, and Indiana Secondary Market for Educational Loans.
  
- ❑ The ability of the Public Finance Director to monitor all debt being issued by state issuers enables consistent debt management across the State.
  
- ❑ The Public Finance Director is responsible for communication with rating agencies related to the State's credit rating.



# U.S. State Credit Ratings – As of November 1, 2012



Ratings Source: S&P / Moody's / Fitch  
 \* Maryland and Virginia on negative watch

( ) indicates states with no G.O. debt.  
 Ratings are hypothetical.



## D. State of Indiana Credit Rating History

### □ Standard & Poor's

- **7/2008: AAA Stable**
- 1/2006: AA+ Stable
- 6/2005: AA Positive
- 1/2004: AA Stable

### □ Moody's Investor Services

- **4/2010: Aaa Stable**
- 8/2006: Aa1 Stable

### □ Fitch Ratings<sup>1</sup>

- **4/2010: AAA Stable**
- 4/2006: AA+ Stable

## Credit Strengths of the State of Indiana

*(As noted by the rating agencies in the October 2012 state ratings reports)*

- Balanced budget that maintains solid level of reserves
- Sound financial management practices
- Low debt burden
- Continued adherence to conservative debt policies
- Trend of recent expenditure restraint
- Diversifying economic base

<sup>1</sup> Fitch Ratings only assigns an appropriation/lease credit rating. As a result, this rating is hypothetical.



## II. Appropriation-Backed Debt

Appropriation-Backed Debt	
Issuing Entity	Debt Outstanding (As of 12/31/12)
Transportation Finance Authority	\$1,215,646,298
Public University (Fee-Replaced)	\$1,194,026,075
State Office Building Commission	\$489,727,558
Indiana Bond Bank (Moral Obligation) <sup>2</sup>	\$454,790,000
Recreational Development Commission	\$27,190,000
<b>Total</b>	<b>\$3,381,379,931</b>

Appropriation-Backed Debt- Revenue Supported	
Issuing Entity	Debt Outstanding (As of 12/31/12)
IFA-Stadium & Convention Center <sup>1</sup>	\$977,065,000
Indiana State Fair <sup>1</sup>	\$62,165,000
<b>Total</b>	<b>\$1,039,230,000</b>

<sup>1</sup> Debt Service anticipated to be paid fully by revenue sources but also are backed by appropriations

<sup>2</sup> Not technically backed by appropriations, as it is a moral obligation to pay. As of 11/1/2012



# Appropriation-Backed Debt: Oversight

- ❑ Appropriation-Backed debt is approved by the General Assembly either by approval of the project or the source of funds used to finance the repayment of bonds issued.
  - Moral Obligation debt is reviewed by the Budget Committee and approved by the Budget Director.

Issuing Entity	Oversight
Indiana Transportation Finance Authority (now IFA)	IFA / Public Finance Director
State Office Building Commission (now IFA)	IFA / Public Finance Director
Recreational Development Commission (now IFA)	IFA / Public Finance Director
Stadium and Convention Center (managed by IFA) <sup>1</sup>	IFA / Public Finance Director
Indiana Bond Bank (Moral Obligation) <sup>2</sup>	Reviewed by the Budget Committee and approved by the Budget Director. Public Finance Director on the board.
Public Universities (Fee-Replaced)	Reviewed by the Budget Committee. Approved by the Budget Director after consulting the Public Finance Director.

<sup>1</sup> Backed by appropriations, but first paid by other revenue sources.

<sup>2</sup> Not technically backed by appropriations, as it is a moral obligation to pay.



## Transportation Projects

- ❑ IFA may issue debt in partnership with the Indiana Department of Transportation to finance the cost of construction, acquisition, reconstruction, improvement, or extension of the State's public ways. However, no new debt has been needed since 2004 as a result of Major Moves.
- ❑ Payment on existing Highway bonds relies upon using State-appropriated gas tax dollars.
- ❑ The Airport Maintenance Facility, is currently leased to various users.
- ❑ The Aviation Technology Center is a training center run by Vincennes/Purdue cooperative at Indianapolis International Airport. It was built in connection with the United Maintenance Facility for worker training.
- ❑ All Transportation and Aviation related debt is 100% fixed rate.

Project	Debt Outstanding (As of 12/31/12)	Final Maturity
State Highways & Bridges	\$1,108,431,298	6/1/2029
Airport Maintenance Facility	\$103,205,000	11/1/2018
Aviation Technology Center	\$4,010,000	7/1/2017
<b>Total</b>	<b>\$1,215,646,298</b>	



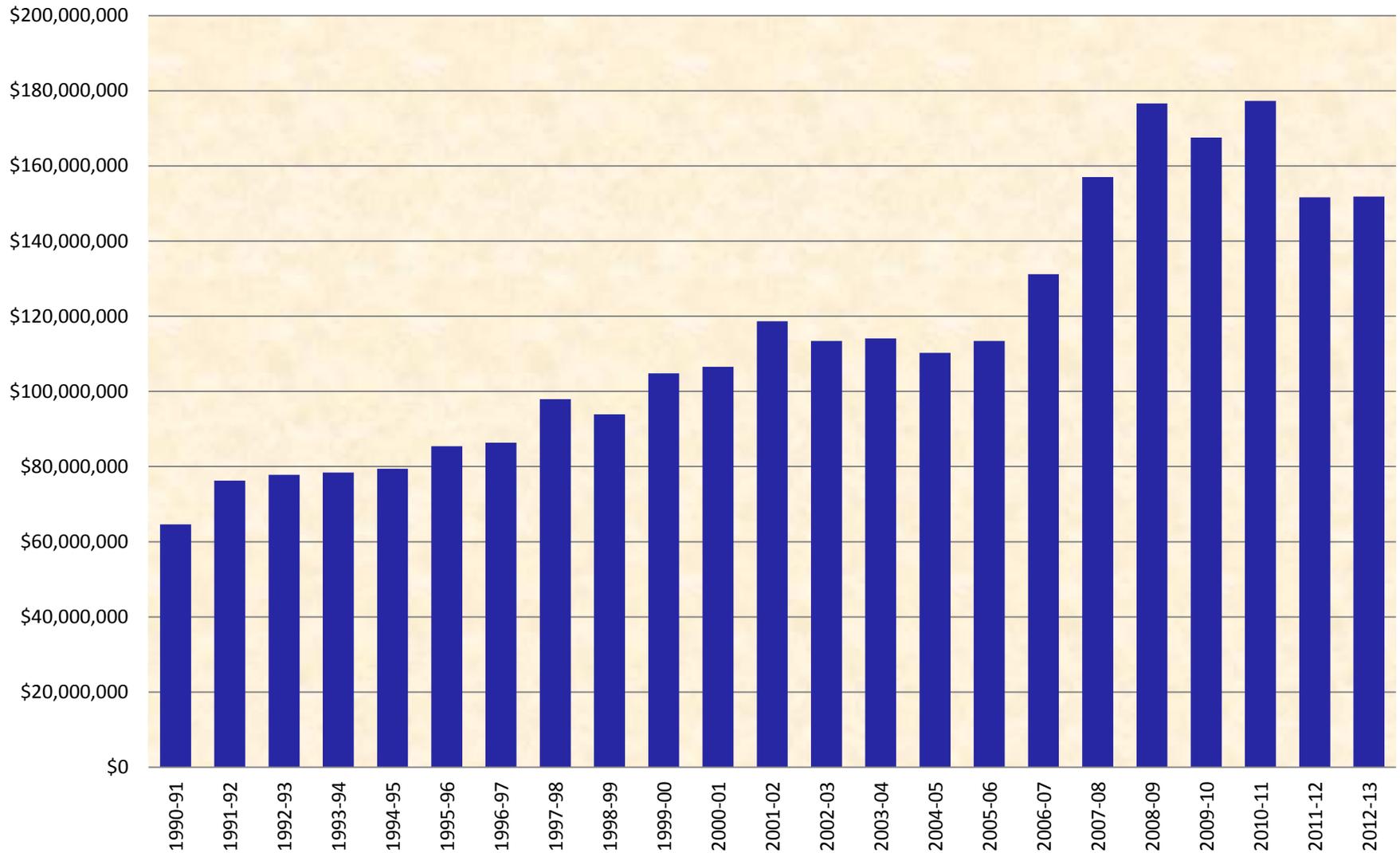
## Fee-Replacement Public University Debt

- ❑ Fee-replacement bonds are debt issued by universities, through which State-appropriations reimburse the universities for debt service.
- ❑ Fee-replacement bonds must be reviewed by the Budget Committee and approved by the Budget Director and Public Finance Director.
- ❑ Debt outstanding will continue to grow over the next year based on authorization of new projects that have yet to be financed.

University	Debt Outstanding (As of 12/31/12)	Final Maturity
Indiana University	\$386,207,168	8/1/2031
Ivy Tech College	\$267,015,000	7/1/2031
Purdue University	\$233,552,301	7/1/2028
Ball State University	\$111,085,000	7/1/2030
University of Southern Indiana	\$90,272,878	10/1/2032
Indiana State University	\$57,403,648	10/1/2029
Vincennes University	\$47,455,062	12/1/2028
<b>Total</b>	<b>\$1,192,991,057</b>	



# Historic Growth of University Debt Service Appropriations





## Indiana Stadium & Convention Center

- Stadium/Convention Center Construction Financing:
  - Repayment sources are local food & beverage, hotel, rental car and admission taxes and Colts license plate fees.

<b>Project</b>	<b>Debt Outstanding (As of 12/31/12)</b>	<b>Final Maturity</b>
Lucas Oil Stadium	\$648,835,000	2/1/2037
Convention Center	\$328,230,000	2/1/2039
<b>Total</b>	<b>\$977,065,000</b>	



# Indiana State Fair

- Indiana State Fair Financing:
  - 2012 Fixed rate bonds issued to refund 2002 ISF revenue bonds and finance the rehabilitation of the coliseum and a new arena
  - Repayment source will be revenues generated by the Indiana State Fair
  - New arena anticipated to be complete by August 2013 and the coliseum expected to be complete by August 2014

Project	Debt Outstanding (As of 12/31/12)	Final Maturity
Indiana State Fair	\$62,165,000	7/1/2038
<b>Total</b>	<b>\$62,165,000</b>	



## Recreational Development Commission (RDC) Projects [now IFA]

- ❑ The IFA issues debt in partnership with the Department of Natural Resources to finance or refinance the costs of the acquisition, construction, renovation, improvement or equipping of facilities associated with the operation of state parks.
- ❑ Re-payment source for these bonds are fees generated by the operation of all state parks, inns, and other fees received from park facilities.
- ❑ Currently this debt portfolio is comprised of 100% fixed rate bonds.

<b>Project</b>	<b>Debt Outstanding</b> <i>(As of 12/31/12)</i>	<b>Final Maturity</b>
Multi-Projects, Clifty Inn, Abe Martin, Prophetstown, Ft. Ben	\$21,835,000	7/1/2025
Clifty Inn / Abe Martin	\$5,355,000	7/1/2025
<b>Total</b>	<b>\$27,190,000</b>	



## State Office Building Projects

- The IFA issues debt in partnership with multiple entities to finance or refinance the cost of acquiring, constructing, or equipping buildings and improvements, including:
  - Department of Administration
  - Family and Social Services Administration
  - Department of Corrections

Project	Debt Outstanding (As of 12/31/12)	Final Maturity
Wabash Valley Correctional	\$87,265,000	7/1/2020
New Castle Correctional	\$82,620,000	7/1/2022
Miami Correctional	\$82,375,000	7/1/2022
DOC Energy Cost Savings Leases	\$37,822,558	7/1/2023
Indiana State Museum	\$56,430,000	7/1/2023
Forensic Health and Sciences Lab	\$51,905,000	7/1/2027
Madison State Hospital	\$45,965,000	7/1/2027
Logansport State Hospital	\$23,230,000	7/1/2027
Evansville State Hospital	\$22,115,000	7/1/2024
<b>Total</b>	<b>\$489,727,558</b>	

- The State Office Building debt portfolio is 100% fixed rate debt.



## Indiana Bond Bank Moral Obligation Debt- As of 11/1/2012

- The Indiana Bond Bank (IBB) provides assistance to local governments by funding special projects through the use of bonds including:

  - Water & Sewer Systems
  - Capital Improvement/ Building Projects
  
- IBB's Special Program debt may utilize the State's Moral Obligation (M.O.) which provides the issuing organization with more favorable financing terms.
  
- The State only serves as a backstop on M.O. debt if the primary repayment source and any additional safeguards (e.g. debt service reserve funds) fail. IBB has never had to rely upon the Moral Obligation.

Project	Debt Outstanding- 11/1/12	Final Maturity
Hendricks County Hospital	\$111,435,000	4/1/2030
Clark Memorial Hospital	\$47,260,000	8/1/2029
Adams County Hospital	\$34,385,000	2/1/2033
Hancock County Memorial Hospital	\$29,735,000	2/1/2031
South Bend TIF Districts	\$27,880,000	9/1/2024
Columbus Learning Center	\$22,090,000	2/1/2025
Northern IN Commuter Transportation Dist.	\$20,205,000	2/1/2022
East Chicago Building Facility Corp.	\$18,930,000	2/1/2024
Fort Wayne Regional Public Safety Academy	\$17,290,000	2/1/2023
Hendricks County Redevelopment Auth.	\$11,410,000	2/1/2023
City of Carmel Sewer	\$8,655,000	6/1/2026
Whiting Sanitary District	\$2,895,000	1/25/2016
Anderson Municipal Light and Power	\$1,025,000	2/1/2013
Other Issuances (including Pools)	\$101,595,000	2/1/2030
<b>Total</b>	<b>\$454,790,000</b>	



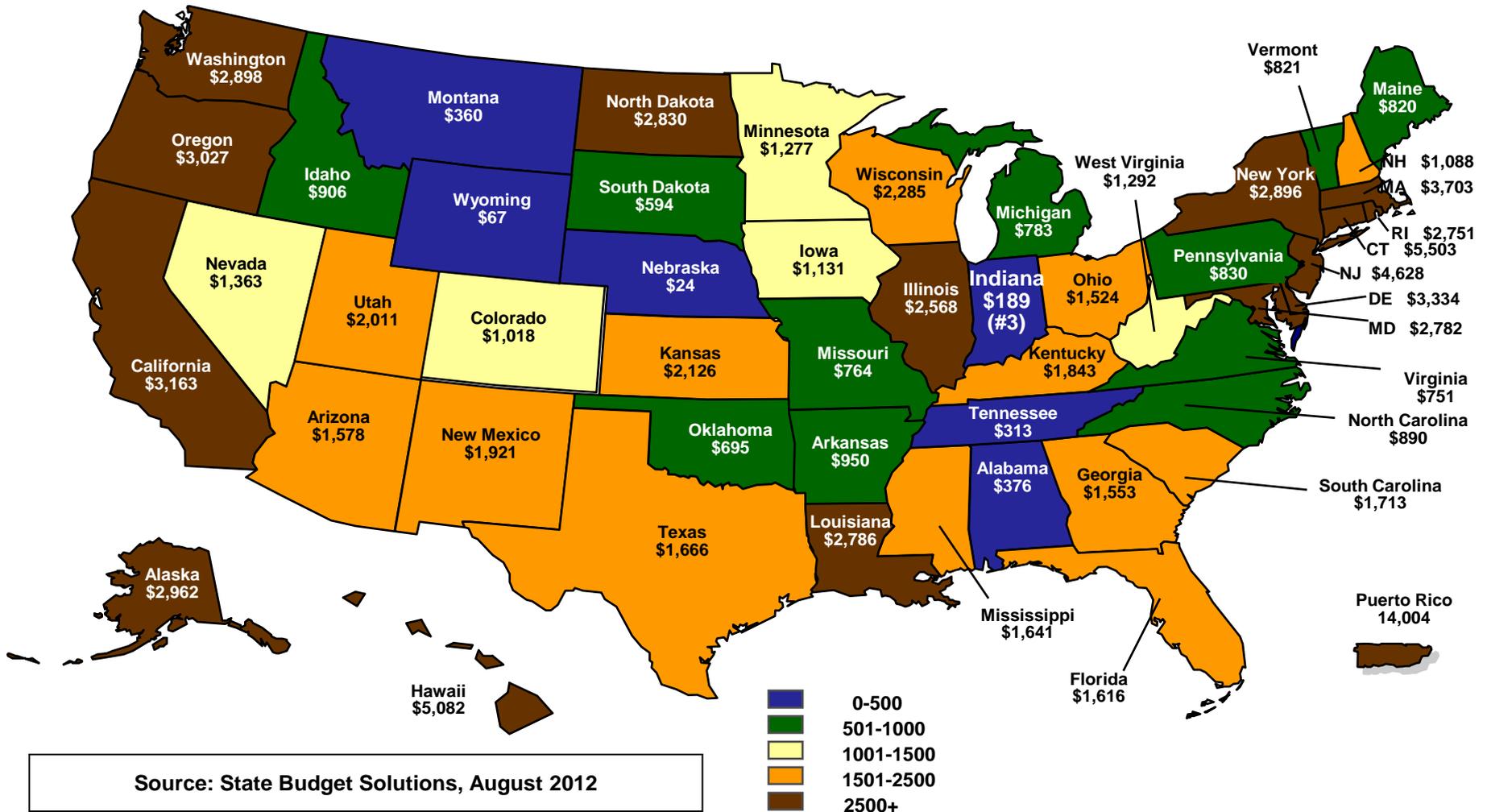
### III. Non-Appropriation-Backed Debt

Issuing Entity	Oversight	Debt Outstanding (As of 12/31/12)
Indiana Bond Bank- As of 11/1/12 (Non-Moral Obligation) <sup>1</sup>	Public Finance Director is on the Board	\$1,433,046,224
State Revolving Fund	IFA/Public Finance Director	\$1,940,000,000
Indiana Secondary Market for Educational Loans	IFA Assistance	\$1,436,031,000
Public University (Non-Fee Replaced)	Reviewed by the Budget Committee. Approved by the Budget Director and Public Finance Director.	\$1,430,287,632
Housing & Community Development Authority	Public Finance Director is on the Board	\$772,035,000
Ports of Indiana	IFA Assistance	\$720,000
	<b>Total</b>	<b>\$7,012,119,856</b>

<sup>1</sup> As of 11/1/12

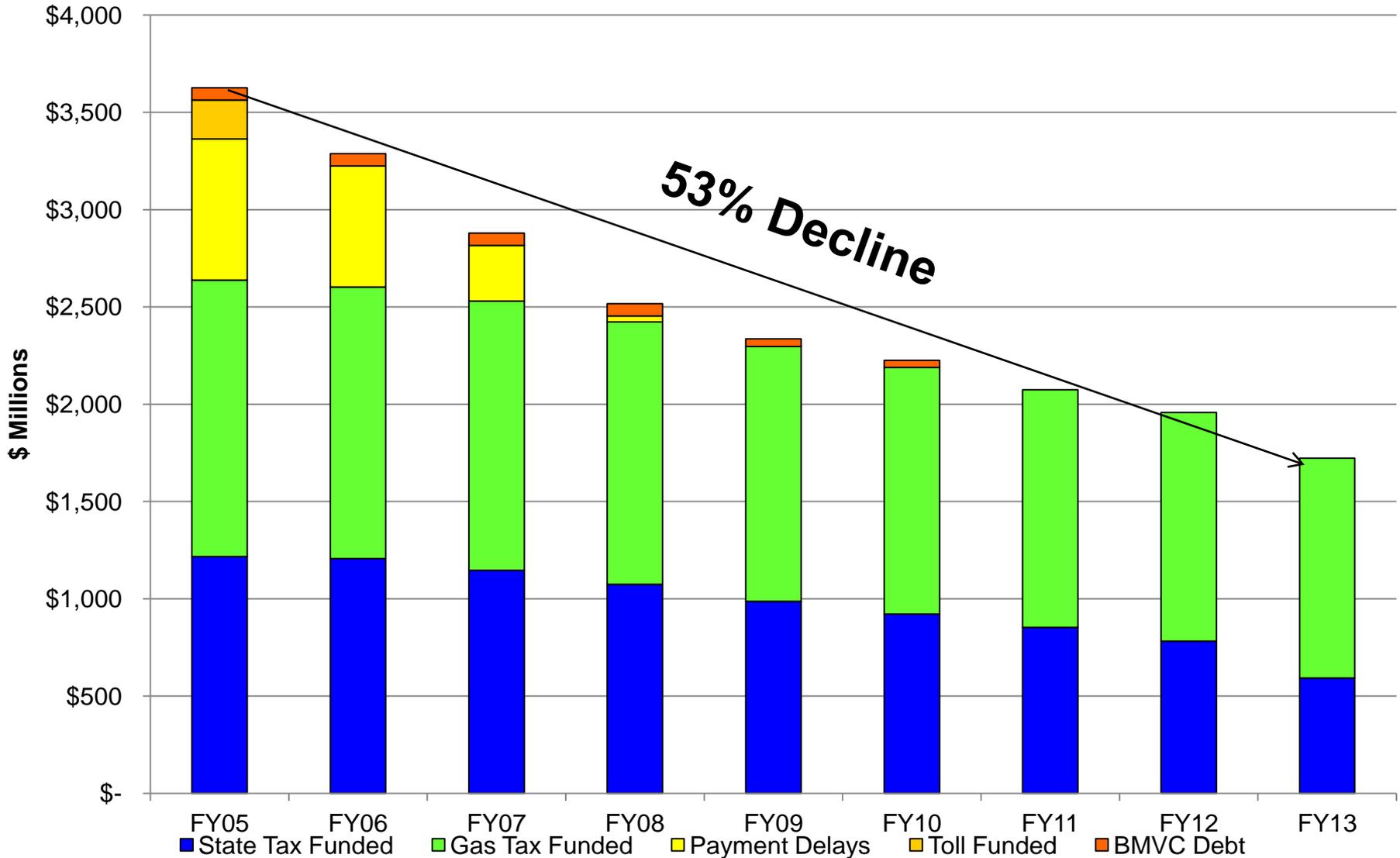


# Indiana State Debt per Capita Low Compared to other States





# Debt on the Decline



Excludes stadium & convention center debt and Indiana State Fair debt, which have first-line revenues, as well as university-related debt